

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

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The following summary of general business and financial conditions in the United States, based upon statistics for February and the first three weeks of March, will appear in the April issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve banks.

Volume of production, employment, and trade increased more than seasonally in February and wholesale prices of industrial commodities continued to advance.

Production and employment

The Board's index of industrial production, which makes allowance for changes in the number of working days and for usual seasonal variations, was 116 percent of the 1923-1925 average in February as compared with 114 in January and an average of 115 in the last quarter of 1936. At steel mills activity continued to increase in February and the first three weeks of March and, although the growth was somewhat less than seasonal, output currently is at about the peak level reached in the summer of 1929. Automobile production, while fluctuating considerably with strikes at important plants, has been larger for the year to date than in the corresponding period last year. Output of plate glass in February showed a sharp rise from the low level of the two preceding months when strikes curtailed production. At textile mills and shoe factories activity continued at a high level, while output at meatpacking establishments declined somewhat further. Mineral production increased, reflecting chiefly greater output of coal and a

further rise in crude petroleum production.

Value of construction contracts awarded this year, according to the F. W. Dodge Corporation, has been considerably larger than a year ago, reflecting an increased volume of private residential building and other types of private construction, while the volume of publicly-financed work has been smaller.

Factory employment and payrolls increased from the middle of January to the middle of February by more than the usual seasonal amount. The number employed in the machinery industries increased considerably and there were smaller increases at automobile and plate glass factories. In the nondurable goods industries as a group there was a seasonal rise in employment.

Distribution

Department store sales increased from January to February and the Board's seasonally adjusted index advanced from 93 to 95 percent of the 1923-1925 average. Sales at variety stores also increased more than seasonally, while mail order sales, largely in rural areas, showed less expansion than is usual at this time of year. Total freight-car loadings increased in February and the first half of March, owing in part to seasonal influences.

Commodity prices

The general level of wholesale commodity prices advanced from the middle of February to the third week of March, reflecting principally further substantial increases in the prices of industrial materials. Prices of iron and steel, non-ferrous metals, lumber, cotton, rubber, and hides advanced considerably and there were also increases in the prices of cotton goods, paper, and furniture. Wheat prices have advanced in recent weeks following

a decline in the latter part of February.

Bank credit

On March 1, when the first half of the recent increase in reserve requirements went into effect, excess reserves of member banks declined from \$2,100,000,000 to about \$1,300,000,000. In the next three weeks, which included the March tax collection period, excess reserves showed moderate fluctuations around the new level. In connection with the increase in reserve requirements there were some withdrawals of bankers' balances from city banks but practically no borrowing by member banks from the Reserve banks.

Holdings of United States Government obligations at reporting member banks in leading cities declined by \$280,000,000 in the four weeks ending March 17, a part of the decline reflecting large maturities of Treasury bills. Commercial loans increased further at reporting banks and on March 17 were above last year's high level reached on December 30. Loans to brokers and dealers in securities increased sharply.

Money rates

Since the beginning of March the rate on 90-day bankers' acceptances advanced from 5/16 of 1 percent to 9/16 of 1 percent and commercial paper rose from a flat 3/4 percent to a range of between 3/4 and 1 percent.

Bond yields, which until recently had been near the extreme low point reached last December, advanced by between 1/4 and 1/2 percent and on March 24 were at about the levels prevailing early in 1936.